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SERS Plan 2 Member Handbook

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SERS Plan 2: Summary of Selected Benefits

Eligible for Retirement	<p>SERS Plan 2 provides for a retirement benefit when you are:</p> <ul style="list-style-type: none"> • Age 65 or older with 5 or more service credit years. • At least age 55 with 20 or more service credit years, with an actuarially reduced benefit if you are under age 65. • At least age 55 with 30 or more service credit years, with an early retirement reduction factor for each year you are under age 65. <p>See page 8.</p>
How Service Credit is Accumulated	<p>Service credit is based on the total compensated time reported by your employer on your behalf. Employees of school districts or Educational Service Districts may receive 12 service credit months for the school year, September 1 - August 31. See page 4.</p>
Service Credit for Military Time	<p>You may be eligible to acquire up to five years of service credit for time spent in the military. To qualify you must have left retirement-covered employment to enter active military service. See page 5.</p>
Average Final Compensation (AFC)	<p>The monthly average of your 60 consecutive highest-paid service credit months prior to your retirement, separation, or death. Not included are payments for any type of severance pay, such as lump sum payments for unused sick leave, and vacation/annual leave. See page 8.</p>
Benefit Formula	<p>$2\% \times \text{Service Credit Years} \times \text{AFC} = \text{Monthly Benefit}$. See page 8.</p>
Contribution Rates	<p>Your future benefits are funded by contributions - made by you and your employer - and the investment earnings from these contributions. Contribution rates may be changed as necessary to reflect the cost of the Plan. See page 4.</p>
Disability Retirement	<p>If you become totally incapacitated for continued employment with a covered employer, and leave that employment as a result of the disability, you may be eligible for a disability retirement benefit. See page 11.</p>
Temporary Duty Disability	<p>You may be eligible to recover service credit while on leave for a temporary duty disability. See page 11.</p>
Death in Service Survivor Benefit	<p>If you have less than 10 years of service and are not eligible to retire, your contributions plus interest will be paid to your beneficiary(ies).</p> <p>If you have at least 10 years of service, or are eligible to retire, your spouse or guardian of your minor children can choose between a monthly benefit or a lump sum payment of your contributions plus interest. See page 11.</p>
Cost of Living Adjustment	<p>On July 1 of every year following your first full year of retirement, your monthly benefit will be adjusted by the percentage change in the Consumer Price Index (CPI-U, Seattle), to a maximum of 3 percent per year. See page 11.</p>

Plan 2

This handbook describes your retirement benefits under Plan 2 of the Washington State School Employees' Retirement System (SERS). The Plan is designed to be an important source of income that along with Social Security benefits (if you are eligible), personal savings, and other investments, will help pay your living expenses when you retire.

Highlights

- The Plan provides a lifetime benefit. See page 8.
- The Plan provides disability benefits and survivor benefits if you meet the requirements. See page 11.
- You and your employer both contribute toward your future benefits. See page 4.
- You may remain a member of the Plan if you transfer to another SERS-covered employer. See page 7.
- Your contributions are refundable only if you leave SERS-covered employment. If you withdraw your contributions, you lose your right to future benefits. You can restore your contributions and reestablish your benefits under certain circumstances. You cannot withdraw contributions made by your employer. See page 6.

- If you are a dual member, you may be able to combine service credit with that earned in other Washington State retirement systems in order to qualify for retirement. See page 7.
- You may transfer to SERS Plan 3. You have the option to transfer in the month of January each year. See page 12.
- As a SERS Plan 2 member, it is important that your new employer knows of your prior membership, even if you withdrew your contributions.
- If you wish to change your beneficiary, ask your personnel officer for a Beneficiary Designation Form or download the form from the DRS Web site. See page 15.

Concurrent membership

If you are simultaneously employed in SERS and PERS eligible positions with different employers, dual membership rules may apply. Contact DRS for more information. See page 15.

Summary Description

The actual rules governing your benefits are contained in state retirement laws. This handbook is a summary, written in less legalistic terms. It is not a complete description of the law. If there are any conflicts between what is written in this handbook and what is contained in the law, the current law will govern.

Am I a member of the Plan?

You are a SERS Plan 2 member if you are employed in an eligible position at a school district or Educational Service District (ESD), and were previously a PERS Plan 2 member.

For purposes of this Plan, an eligible position normally requires at least 70 hours of compensated service per month during five months each year. Covered employer means an employer that participates in SERS. This includes all Washington State public school districts and ESDs.

Who pays for my benefit?

Defined benefit plan

Your future benefit is funded by contributions made by you and your employer during your period of membership and the interest from those contributions. These contributions are held in trust and invested by the Washington State Investment Board.

Your plan is a 401(a) defined benefit plan. This means that at retirement you will receive a benefit based on your service credit and average final compensation. The amount of your contributions or your employer's contributions will not be a factor in calculating your retirement benefit.

Your contributions

You are required to contribute a percentage of your earnable compensation to SERS. The member contribution rate is set by the Pension Funding Council and may be changed as necessary to reflect the cost of the Plan.

Earnable compensation means all salaries and wages paid by an employer to a member for

service. This includes overtime and tax-deferred wages as defined by the Internal Revenue Code.

Cash payments for unused sick leave, unused vacation leave, or any form of severance pay are excluded from earnable compensation.

For questions regarding earnable compensation reported to SERS, contact your employer.

Employer contributions

Employer contributions are not matching funds. Employers pay contributions that are based on a percentage of your salary. These contributions help pay future retirement benefits, are not credited to your account, and cannot be withdrawn.

What is service credit?

Service credit

The amount of your retirement benefit depends upon the service credit you earn in an eligible position. Service credit is based on the number of hours worked as reported by your employer on your behalf.

Hours worked	Service Credit earned
Less than 630 hours or work less than 9 months of the school year	1 service credit month for each month you work 90 or more hours
	0.5 service credit month for each month you work 70 to 89 hours
	0.25 service credit month for each month you work 69 hours or less (but more than zero)

Hours worked	Service Credit earned
630 - 809 hours and begin working in September and work at least 9 months of the school year	6 service credit months per school year (September 1 through August 31)
810 hours or more and begin working in September and work at least 9 months of the school year	12 service credit months per school year (September 1 through August 31)

No more than one month's service credit may be earned for each calendar month worked, regardless of the number of employers. If you are simultaneously employed in both SERS and PERS eligible positions with different employers, it can affect how your service credit is calculated. Contact DRS for more information. See page 15.

EXAMPLE:

Calculating service credit

Suppose you worked full-time starting with the 2001-02 school year and continued through the end of the 2007-08 year — 7 full years, then you reduced your hours. During the 2008-09 school year, your hours and service credit were as follows:

	HOURS	SERVICE CREDIT MONTHS
September	140	1
October	140	1
November	0	0
December	0	0
January	70	0.5
February	120	1
March	100	1
April	110	1
May	120	1
June	40	0.25
July	0	0
August	0	0
TOTAL	840	6.75

Although you worked more than 810 hours in the 2008-09 school year, you worked less than 9 months in the school year, so you would receive 6.75 service credit months. Your total service credit for the period starting with the 2001-02 school year and ending with the 2008-09 school year would be 7 years and 6.75 months.

Service credit from another retirement system

You may be able to combine your SERS service credit with credit earned in other Washington State retirement systems in order to qualify for retirement. For more information, see "What if I've previously been a member of another retirement system?" on page 7.

Military service

You may be eligible to acquire service credit for up to five years of time spent in the military by paying member contributions. To qualify you must have left covered employment to enter active military service. In addition, you must apply for re-employment with the same employer within 90 days after an honorable discharge. You must complete payment of these contributions prior to retirement or five years from the time you resume employment, whichever comes first.

You can find more information about military service credit requirements by reading *Plan 2 and 3 Military Service Credit*, a DRS online publication. See page 16.

Leave of absence

You may earn service credit for an unpaid leave of absence authorized by your employer. Service credit for a leave of absence is limited to a maximum of two years during your working career.

To obtain service credit for unpaid leave, you must return to work with the same employer in a SERS-eligible position, and pay both member and employer contributions, including interest, for the time on leave. Contributions are based on the average of your earnable compensation at the time you were granted the leave and at the time you resume your employment. Payment must be completed prior to retirement or within five years of returning to employment, whichever comes first. Contact DRS to purchase authorized leave of absence service credit.

Vesting

When you have five or more service credit years in SERS, you have a vested right to a retirement benefit, even if you leave covered employment.

Your benefit will depend in part on how many service credit years you have earned (see page 8 under “How is my benefit calculated?”). If you withdraw your contributions and terminate your membership, you give up your right to retirement benefits.

What if I leave my SERS position?

Leaving your current, SERS-covered employment before you retire may have an impact on your benefits. If your next position is SERS eligible, your membership and service credit will continue.

Withdrawing your contributions

If you leave SERS-covered employment, you may withdraw your accumulated contributions. This is the only circumstance in which a refund is permitted. Withdrawal of your contributions cancels all rights and benefits you have accrued in SERS. You can learn more by reading *Withdrawal of Retirement Contributions*, a DRS information

and application packet that is available from the DRS Web site or through your employer.

You are not required to withdraw your contributions when you leave SERS-covered employment. If you leave your contributions with SERS, your funds will continue to accrue interest and your service credit will be preserved for you in the event you return to SERS service. See Vesting. If you leave SERS-covered employment and leave your contributions in the Plan, keep DRS informed of changes in your name, address and beneficiary.

Loans, attachments and assignments of contributions

Because the Plan is designed to provide retirement income, you may not borrow from or against your contributions. See page 13 for more information.

Tax implications of withdrawing your contributions

Federal law requires DRS to withhold 20 percent of the tax-deferred portion of lump sum payments for federal income tax unless the funds are transferred directly to another eligible retirement plan. Federal law may also require an additional 10 percent tax be withheld as an early withdrawal penalty if you are under age 59 ½. You can find more about withholding penalties by reading *Withdrawal of Retirement Contributions*, a DRS information and application packet that is available from the DRS Web site.

DRS is required to report all lump-sum payments to the Internal Revenue Service (IRS). It is your responsibility to report the withdrawal on your tax return. For more information on this subject, contact the IRS or your tax advisor.

Restoring SERS service credit

To restore service credit, you must repay the total amount withdrawn, plus interest, within 60 service credit months of returning to service, or before you

retire, whichever comes first. Payment must be completed by this deadline, or your service cannot be restored under this method.

It is still possible to purchase withdrawn and optional service credit after the deadline; however, the cost is considerably more expensive. You can learn more by reading the DRS online publication, *Plan 2 Recovery of Withdrawn or Optional Service Credit*.

What if I've previously been a member of another system?

Dual membership

If you establish membership in more than one retirement system, you may qualify as a dual member, even if your membership in another system has been terminated.

You qualify for dual membership if you meet **all** the following criteria:

- You are currently a member of SERS, Teachers', Public Employees', Washington State Patrol, Plan 2 of the Law Enforcement Officers' and Fire Fighters' or the City of Tacoma, Seattle, or Spokane Retirement Systems; and
- You previously contributed to a dual member system other than the one to which you now belong; and
- You have not retired for service from any dual member system, or any other DRS-administered system; and
- You are not receiving disability retirement or disability leave benefits from any dual member system, or any other DRS-administered retirement system.

EXAMPLE:

Combined service credit

Suppose you are a SERS Plan 2 member, are 55 years old and have 13 service credit years. You also have seven TRS Plan 2 service credit years, for a total of 20 service credit years — enough to retire with a reduced benefit.

The provisions of each plan determine the amount of your benefit from each plan and when each benefit can begin. If you retire as a dual member, your total benefit cannot exceed the amount you would receive if all your service had been in a single system.

Restorations for dual members

If you are a dual member and wish to restore service credit in a system other than SERS, you must repay the amount withdrawn, plus interest, within two years of first becoming a dual member or before you retire, whichever comes first. To determine how much you owe in order to restore service credit, contact DRS. See page 15.

Include the following information in your letter:

- Your name, Social Security Number, address and daytime phone number,
- The system(s) in which you want to restore service credit,
- The approximate dates of each withdrawal and the periods of employment each represents,
- The name(s) of the employer(s), and
- Your signature.

Payment must be made by the deadline or your service cannot be restored by this method. It is still possible to purchase service credit after the deadline; however, the cost is considerably more expensive. Read the DRS online publication, *Plan 2 Recovery of Withdrawn or Optional Service Credit*.

When can I retire?

Eligibility

Your service retirement benefit depends on your average final compensation (AFC), the survivor option you choose, and your service credit years at retirement. You are eligible to retire:

- At age 65 with five or more service credit years; or
- At least age 55 with 20 or more service credit years. If you retire under this provision, your benefit will be actuarially reduced; or
- At least age 55 with 30 service credit years. If you retire under this provision, your benefit will be reduced by three percent per year for each year you are under age 65.

Using sick leave to increase your benefit

School district employees may use up to 45 days of accumulated sick leave to retire earlier. For example, if you have 45 days of sick leave and are age 65 or older, you may retire with four years and 10 months of service credit. **Cashed out sick leave may not be used for this purpose.**

Sick leave cannot be used to meet the age requirement or service credit in determining the amount of your retirement benefit. If you plan to use sick leave to advance your retirement date, contact DRS before separating from employment.

How is my benefit calculated?

Benefit formula

Your monthly service retirement benefit is calculated using the following formula:

2 percent x Service Credit Years x AFC

AFC is the monthly average of your 60 consecutive highest-paid service credit months.

Not included are payments for any type of severance pay, such as lump-sum payments for unused sick leave or vacation/annual leave. There is no limit on the number of service credit years included in the benefit calculation.

Benefit reductions

After you meet eligibility requirements your benefit will be reduced if:

- You apply before age 65, or
- You choose a survivor option.

EXAMPLE:

Benefit calculation

Suppose you retire at age 65 with 32 service credit years and an average final compensation of \$2,000. Your monthly retirement benefit will be \$1,280. It is calculated as follows:

$$\begin{aligned} 2\% \times 32 \text{ years} \times \$2,000 &= \$1,280 \\ 2\% \times 32 \text{ years} &= .64 \\ .64 \times \$2,000 &= \$1,280 \end{aligned}$$

This calculation is your lifetime benefit. Your benefit will be lower if you choose to continue benefits to a survivor upon your death. Benefit options are described on page 9. You can use the SERS Plan 2 benefit estimator on the DRS Web site to estimate your benefit.

Calculating benefits for dual members

As a dual member, you may combine service credit earned in all dual member systems for the purpose of becoming eligible for retirement. If your combined service makes you eligible to retire under any dual member system, you may elect to retire from all dual member systems.

As a dual member, you may choose to have your average final compensation determined as follows:

- You can use the compensation in each system (as defined in that system) to determine that system's benefit, or
- You can use the highest "base salary" from any system, to determine the benefit in another system.

Base salary is the salary or wages you earned, excluding overtime, lump sum cashouts, severance pay and bonuses.

Dual members have the opportunity to restore previously withdrawn service credit. For a detailed explanation of dual membership read *What is Dual Membership and How Does it Affect Me?*, available on the DRS Web site.

EXAMPLE:

Dual member benefits

Suppose you are 65 years old and have three service credit years from SERS Plan 2 and four service credit years with TRS Plan 2. Without dual membership, your service in either plan would be too short to provide a benefit. With dual membership, you have enough to retire. You will receive a benefit from each plan, calculated according to the rules of each system as follows:

SERS Plan 2:

$2\% \times 3 \text{ SERS service credit years} \times \text{average final compensation} = \text{SERS benefit}$

TRS Plan 2:

$2\% \times 4 \text{ TRS service credit years} \times \text{average final compensation} = \text{TRS benefit}$

What are my benefit options?

When you apply for a service or disability retirement, you must select a benefit option. This option generally cannot be changed after you retire.

If you are married, the law requires that you provide the written consent of your spouse to the benefit option you choose. This consent must be in writing and must be witnessed by a notary. **If consent is not provided, the law requires that an Option 3 benefit be paid with your spouse as beneficiary. The Retirement Application contains the Spousal Consent Authorization.**

OPTION 1

Standard Option

This option pays you a benefit for your lifetime. If you die before the total benefits you receive equal your contributions plus interest at the date of retirement, the balance will be paid in a lump sum to your named beneficiary.

OPTION 2

Joint and 100 percent survivorship

Under this option, you receive a benefit that is actuarially reduced. If your designated beneficiary survives you, the benefit amount remains the same and your beneficiary continues to receive it for his or her lifetime.

OPTION 3

Joint and 50 percent survivorship

This option provides you with a benefit that is actuarially reduced, but the reduction is smaller than in Option 2. If your designated beneficiary survives you, 50 percent of your benefit is paid to your beneficiary for his or her lifetime.

OPTION 4

Joint and 66.67 percent survivorship

This option provides you with a benefit that is actuarially reduced; however, the reduction is smaller than in Option 2, but larger than in Option 3. If your designated beneficiary survives you, 66.67 percent of your benefit is paid to your beneficiary for his or her lifetime.

Changing a benefit option or beneficiary after retirement

Once you retire you may change your benefit option or beneficiary **in only the following circumstances**:

- If you choose one of the survivor options (2, 3, or 4), and your designated beneficiary dies before you, your retirement benefit may be adjusted to the higher Option 1 benefit level. If your beneficiary dies before you, be sure to notify DRS.
- If you designate someone other than a spouse to be the beneficiary of a survivor benefit, you can change to Option 1 at any time after retirement by contacting DRS. This option can be used only once and is irrevocable.
- If you retire under Option 1, then marry, and remain married for at least one year, you may change your benefit option and name your spouse as beneficiary. To qualify for this opportunity, you must request the benefit option change between your first and second year of marriage. If you opt for a survivor option, your monthly benefit will be actuarially reduced. This option can be used only once and is irrevocable.
- If you complete two or more years of uninterrupted active SERS membership after going back to work, you can select a new benefit option and/or beneficiary when you retire again.

How does early retirement affect my benefit?

The table below provides the approximate reductions in effect on September 1, 2002. Your benefit is determined by the percentage in effect at the time your benefits start.

Age at retirement	20 to 29 years of service - percent of benefit after actuarial reduction	30+ years of service - percent of benefit after 3% per year under 65 reduction
55	37%	70%
56	40%	73%
57	43%	76%
58	49%	79%
59	55%	82%
60	61%	85%
61	67%	88%
62	73%	91%
63	82%	94%
64	91%	97%
65	100%	100%

Actuarially reduced means the benefit is reduced based on factors provided by the Office of the State Actuary. These factors are derived from statistics about life expectancy and projections of the Plan's investment earnings. An actuarial reduction is typically necessary when benefits are going to be paid over a longer period of time because you retired prior to age 65.

EXAMPLE: Suppose you retire at age 55 with 25 service credit years and AFC of \$3,500. Your benefit will be 37 percent of what it would be at age 65 with the same service credit and AFC. Your monthly benefit of \$647.50 is calculated as follows:

$$\begin{aligned}
 &\frac{2\% \times 25 \text{ years} \times \$3,500 \times 37\% = \$647.50}{2\% \times 25 \text{ years} = .50 \text{ (50\%)}} \\
 &\quad .50 \times \$3,500 = \$1,750 \\
 &\quad \$1,750 \times 37\% = \$647.50
 \end{aligned}$$

Suppose you work another 5 years and retire at age 60 with 30 years and AFC of \$3,500. Your monthly benefit would be \$1,785.

<hr/>	
$2\% \times 30 \text{ years} \times \$3,500 \times 85\%$	
$2\% \times 30 \text{ years} = .60 \text{ (60\%)}$	
$.60 \times \$3,500 = \$2,100.00$	
$\$2,100 \times 85\% = \$1,785$	

Can my benefit increase after I retire?

On July 1 of every year following your first full year of retirement for service or disability, your monthly benefit will be adjusted by the percentage change in the Consumer Price Index (CPI-U, Seattle), to a maximum of 3 percent per year. This is your cost of living adjustment (COLA).

What if I become disabled?

If a disability totally incapacitates you for continued employment with a public school district or ESD, and you leave that employment as a result of the disability, you may be eligible for a disability retirement benefit. There is no minimum service credit requirement for this benefit. Benefits will not be paid until you have separated from service. You can learn more about SERS disability benefits by reading the DRS online publication *SERS Plan 2 and Plan 3 Disability Benefits*.

Service Credit for Temporary Duty Disability

In some cases you can obtain service credit for work time missed while on temporary disability leave. For more information on this subject, refer to the *SERS Plan 2 and Plan 3 Disability Benefits* publication or speak with a DRS Retirement Services Analyst.

What benefits do my survivors receive?

If you die after retirement

If you die after you begin receiving a service or disability retirement, your survivors may be eligible to receive benefits according to the retirement option you chose.

If you die before retirement

Benefits paid to survivors of a member who dies while employed depend on the member's age and service credit at the time of death. These benefits also apply to survivors of members who leave SERS-covered employment and do not withdraw their contributions.

Fewer than 10 service credit years and

ineligible to retire. If you die before earning 10 service credit years and before becoming eligible for retirement, your beneficiary receives your contributions and interest.

Ten or more service credit years or eligible to

retire. If you die after becoming eligible to retire, your surviving spouse, and if none, the guardian of your minor children, may choose between:

- A refund of your contributions plus interest, or
- A monthly benefit calculated as if you had elected Benefit Option 2 (see page 9). The benefit will be actuarially reduced to reflect your age at the time of death.

If your spouse dies while receiving a survivor's retirement benefit and leaves a minor child or children, the children will continue to receive the benefit that was being paid to your surviving spouse. The benefit will be shared equally among the children and paid until they reach age 18.

If there is no surviving spouse at the time of your death, and you have minor children, their guardian will choose between the two benefit options.

If you have no surviving spouse or IRS-qualified dependents, your remaining member contributions are paid in a lump-sum to your named beneficiary or legal representative (estate).

If you die as a result of an injury sustained in the course of employment

If an active member or disability retiree dies as a result of injuries sustained in the course of employment and the Department of Labor and Industries has determined eligibility for the payment, DRS will pay a \$150,000 death benefit to the member's designated beneficiary.

Designating a beneficiary

As an active member, you should keep your beneficiary designation in your SERS record current. The Beneficiary Designation Form, which is available from your employer or DRS, should be mailed to DRS. If you fail to file a beneficiary designation form, DRS pays your surviving spouse or minor child. If there are none, DRS will pay your estate.

If you marry or divorce prior to retirement, you should file a new Beneficiary Designation Form, even if your beneficiary remains the same. However, you should be aware that an ex-spouse may be able to attach your benefits under certain circumstances (see page 13). If you fail to file a new Beneficiary Designation Form, DRS pays your surviving spouse or minor child. If there are none, DRS will pay your estate.

At retirement, if you choose Option 1, you may name a trust, your estate, an organization, or a person as your beneficiary. If you choose a survivor

benefit option at retirement, you must select a person as your beneficiary. To change a beneficiary after retirement, see page 10.

Additional criteria for membership

Some employees who satisfy the basic eligibility criteria may be excluded from membership. If you belong to one of the categories listed below, contact DRS to determine whether membership is optional or prohibited:

- You are receiving retirement or disability benefits from a DRS administered retirement system.
- You provide professional services to an employer on a fee, retainer or contract basis, or the income from the professional services is less than 50 percent of the gross income you receive from your profession.
- You are enrolled in a state-approved apprenticeship program (see RCW 49.04) and are employed to earn hours for program completion, and are making contributions to a union-sponsored retirement plan or are a member of a Taft-Hartley retirement plan.

Can I transfer to SERS Plan 3?

Each January SERS Plan 2 members have an opportunity to transfer to Plan 3. Only the member contributions plus interest will be transferred to Plan 3 defined contribution accounts.

To be eligible for transfer to Plan 3, you must:

- Be employed in a SERS eligible position,

- Earn service credit during the January that you elect to transfer,
- Complete a Plan 3 Member Information Form, and
- Submit the Member Information Form to your employer on or before January 31 of the January that you elect to transfer.

Once you transfer to Plan 3, you cannot return to Plan 2 membership.

For more information on transferring to Plan 3, read the SERS Plan 3 publications on the DRS Web site. See page 15.

What if I work after retirement?

Your benefits may be affected if you work for a DRS covered employer after retirement. Under state law, the employer is required to report your hours to DRS.

When you apply for retirement you will receive the publication, *Thinking About Working After Retirement?* in your retirement application packet. **The publication will inform you of the rules regarding post-retirement employment.** If you are unsure, please call DRS before you return to work. You can also obtain a copy of this publication on the DRS Web site.

Why does DRS need my Social Security Number?

DRS requires that you provide your Social Security Number when you are conducting business with the agency. Internal Revenue Code Sections 6041 (A), and 6109 authorize DRS to solicit your Social Security Number.

- The disclosure of your Social Security Number to DRS is mandatory.

- DRS will use your Social Security Number to ensure that any amounts disbursed under your account are properly reported to the Internal Revenue Service and as a reference number for tracking all data with regard to your retirement account.
- DRS will not disclose your Social Security Number to any party unless required by law.

Taxation and assignment of benefits

Federal income taxes

Most of your retirement benefit is subject to federal income tax. The only portion that is exempt from tax is the part that was taxed before it was contributed. Since September 1, 1984, employers began deducting member contributions before taxes. After you retire, DRS will notify you of the portion of your contributions that has already been taxed. The IRS refers to this taxed amount as your cost.

You must complete a W-4P form to tell DRS how much of your benefit should be withheld for taxes. If you do not, DRS will follow IRS rules requiring withholding as if you are married and claiming three exemptions. It is your responsibility to declare the proper amount of taxable income on your income tax return.

Assignment and Attachment of Benefits

Retirement benefits are not generally subject to assignment or attachment. However, payments received by you in the form of retirement benefits or as a refund of your contributions, may be subject to payment of court and administrative orders for spousal maintenance and child support, or payment of any orders authorized by federal law.

DRS is authorized to divide retirement benefits between members and ex-spouses based upon court-ordered property division. If the divorce decree complies with the applicable law, DRS will send the property division payment directly to the ex-spouse. For more information, read the DRS publication, *Can A Legal Action Affect My Retirement Account?* This and all other DRS publications are available on the DRS Web site.

Administrative information

Administration of the system

The School Employees' Retirement System is administered by DRS. The Director of DRS is appointed by the Governor.

Payment of retirement benefits

Your retirement benefit accrues from the first day of the month following the date you separate from service. Your benefit is paid at the end of each month and, in most cases, can be deposited directly in your bank or credit union account.

Benefit adjustments

If you receive an overpayment of your retirement benefit or withdrawal, DRS will require that the overpayment be repaid. If there is an underpayment, DRS will correct the error and pay you in full.

Petitions and appeals

Under DRS' internal review procedures, all appeals begin as petitions. You may challenge a decision of a DRS administrator by filing a petition within 120 days of your receipt of the decision. A petition will be reviewed by DRS' Petition Examiner.

To file a petition, complete and submit a detailed statement of:

- The relief you are requesting;
- The facts relating to your petition, including any relevant documents or sworn statements which support your request for relief;
- The legal basis for your petition, including any relevant legal provisions or precedents;
- The name and address of your legal counsel, if you choose to be represented; and
- Your name, address, Social Security Number, and signature.

The Petition Examiner will ask for relevant information from the involved parties. Usually, this means you, DRS, and possibly your employer. After review, the Petition Examiner will enter a written decision and mail that decision to you by certified mail.

If you are not satisfied with the petition decision, you may file an appeal within 60 days of receipt of the decision. Included with your petition decision will be information describing how to file an appeal. An appeal will be heard by either DRS' Presiding Officer or an Administrative Law Judge.

When should I start planning for retirement?

Planning for retirement is an on-going process. The sooner you start the more likely you are to enjoy a comfortable and successful retirement. Here are some simple things you can do to help build your retirement plan:

- As soon as possible, attend one of DRS' Retirement Planning Seminars. These full-day sessions feature qualified speakers on a number of retirement subjects and are

free of charge. The dates and locations for these seminars are announced in the member newsletter, *Retirement Outlook*, and on the DRS Web site.

- Calculate your future retirement benefit using the Benefit Estimator on the DRS Web site. You can run a variety of retirement scenarios to see what works best for you.
- Because there are statutory time limits on restoring contributions withdrawn from your retirement plan, read the DRS publication, *Plan 2 Recovery of Withdrawn or Optional Service Credit* and review the rules that apply to your situation.
- If military service interrupts your employment, submit a copy of your DD214 to DRS to determine if your active service is creditable.

As you get closer to retirement

Consider the following:

- Contact the Social Security office periodically to review your file's accuracy. The toll-free telephone number for Social Security information is 1 (800) 772-1213. You can also obtain valuable information about Social Security and Medicare by visiting the Social Security Web site (<http://www.ssa.gov>).
- Obtain a copy of Internal Revenue Service Publication 575, Pensions and Annuities, available on their Web site (<http://www.irs.gov/formspubs/lists/0,,id=97819,00html>).
- If you are within a year of your retirement date, request an estimate of your benefit from DRS. DRS will send you a retirement application with your estimate.

Applying for retirement

You can complete the entire retirement process through the mail. Contact DRS for an application.

Contacting DRS

When you contact DRS about personal account information, be sure to include:

- Your Social Security Number.
- Your signature (for written correspondence).
- Your daytime telephone number.
- Your mailing address.
- The plan you are requesting information from.

Mailing Address

Department of Retirement Systems
PO Box 48380
Olympia, Washington 98504-8380

Telephone

Olympia.....(360) 664-7000
Toll-free.....1 (800) 547-6657
TDD Line (hearing impaired)(360) 586-5450
Toll-Free TDD Number.....1 (866) 377-8895

E-mail Address

recep@drs.wa.gov

Warning: Electronic mail messages on the Internet may not be secure. Your message may not be confidential. It may be possible for other people to read your e-mail message.

Web Address

<http://www.drs.wa.gov>

The DRS Web site contains the most recent edition of this handbook and all other member publications for SERS and the other DRS-administered systems. The site also includes:

- Recent issues of the member newsletter, *Retirement Outlook*;
- Information about recent retirement-related legislation;

- A Benefit Estimator that you can use for retirement planning purposes; and
- A variety of other information of interest to retirement system members and public employers in Washington State.

Contact DRS for the following:

- To obtain more information about your rights and benefits under this plan.
- To request inactive member annual statements.
- To apply for retirement.
- To schedule an appointment to review your account information and retirement options in person.
- To obtain copies of other DRS publications mentioned in this handbook (all DRS publications are available on the DRS Web site).

Other SERS publications

All SERS publications are available on the DRS Web site.

- *Thinking About Working After Retirement?*
- *Plan 2 Recovery of Withdrawn or Optional Service Credit*
- *Plan 2 and 3 Military Service Credit*
- *What Is Dual Membership and How Does It Affect Me?*
- *SERS Disability Benefits*
- *Can a Legal Action Affect My Retirement Account?*

DRS Web Site:
<http://www.drs.wa.gov>

The SERS Plan 2 Handbook and all other DRS publications are available on the DRS Web site. Remember, printed documents can become outdated. For the most current information, we recommend the DRS Web site.



For information about obtaining a copy of this publication in an alternate format, contact DRS Publications by calling (800) 547-6657 ext 47278. In the Olympia area call (360) 664-7278.
